SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1917.

No. 363.

BOSTON STORE OF CHICAGO, APPELLANT,

vs.

AMERICAN GRAPHOPHONE COMPANY AND COLUMBIA GRAPHOPHONE COMPANY,

APPELLEES.

UPON CERTIFICATE FROM THE UNITED STATES CIRCUIT COURT OF APPEALS IN AND FOR THE SEVENTH CIRCUIT.

REPLY ARGUMENT ON BEHALF OF THE APPELLANT, BOSTON STORE OF CHICAGO.

In his argument Mr. James M. Beck on behalf of appellees, states the fundamental question which underlies the *fourth* question certified to this court, to be:

> "Is *a* contract of sale which imposes upon the vendor's immediate vendee a resale price *necessarily* and under *all* circumstances invalid?"
> (Italics ours.)

As opposed to this statement of the supposed fundamental question we submit that the real fundamental question which underlies the *fourth* certified question is:

IS A CONTRACT OF SALE, MADE AS PART OF AND IN PURSUANCE OF A PRICE MAINTENANCE SYSTEM (BY WHICH A VENDOR, WHO POSSESSES THE MONOPOLY OF THE RIGHT OF MANUFACTURE, IMPOSES UPON ALL OF ITS IMMEDIATE VENDEES WHO DEAL IN ITS PRODUCT, A RESALE PRICE RESTRICTION), PART OF AN ILLEGAL COMBINATION IN RESTRAINT OF TRADE?

What is, therefore, to be put to a legal test is not the validity of the SINGLE contract set forth in the certified facts. Whether as such, a single contract, is valid or invalid is not material to the inquiry.

The facts certified show that the contract made between appellees and appellant was one of over five thousand others, all identical in terms and in effect, on one side of which stand appellees and on the opposite side stand all the retail dealers who sell appellees' product. It is, therefore, obvious that what the court has to deal with here is not a single contract, but "a system of contracts" in pursuance of which appellees sell to no other persons than those who enter into such contracts, and *all* of appellees' vendees bind themselves to maintain the prices established by appellees. Thus, there is formed a combination between *all* persons who buy for resale appellees' products, and the result is an absolute and complete elimination of all competition between all of appellees' vendees. Each such contract being part of a combination in restraint of trade, is, presumptively invalid.

It becomes apparent, therefore, that appellees' burden in this court is not to demonstrate the validity of a single contract, which might or might not be valid, depending upon the circumstances under which it was entered into, but the validity of a multitude of contracts identical in terms, and

the effect of which is to constitute a combination, as a result of which *all* competition in appellees' product is stifled.

It is apparent that Mr. Beck's argument, as well as the argument on that point in appellees' principal brief, is an attempt to bring appellees' case, so far as the fourth question is concerned, within that line of cases which hold that a covenant, to protect the seller of property against competition of the buyer, by its use against the business retained by the seller, may be upheld *if not wider than necessary for that purpose*.

The true nature and extent of that rule is well pointed out by Mr. Justice Taft in the case of U. S. *vs.* Addyston Pipe & Steel Company, 85 Fed., 281, where he says, speaking for the court:

> "* * * Covenants in partial restraint of trade are generally upheld as valid when they are agreements (1) by the seller of property or business not to compete with the buyer in such a way as to derogate from the value of the property or business sold; (2) by a retiring partner not to compete with the firm; (3) by a partner pending the partnership not to do anything to interfere, by competition or otherwise, with the business of the firm; (4) by the buyer of property not to use the same in competition with the business retained by the seller, and (5) by an assistant, servant, or agent, not to compete with his master or employer after the expiration of his time of service. Before such agreements are upheld, however, the court must find that the restraints attempted thereby are reasonably necessary (1, 2, and 3) to the enjoyment by the buyer of the property, good will or interest in the partnership bought; or (4) to the legitimate ends of the existing partnership; or (5) to the prevention of possible injury to the business of the seller from use by the buyer of the thing sold; or (6) to protection from the danger of loss to the employer's business caused by the unjust use on the part of the employee of the confidential knowledge acquired in such business."

After making this statement Judge Taft points out that the above classes are not intended to be exhaustive, but that "no conventional restraint of trade can be enforced unless the covenant embodying it is merely *ancillary* to the main purpose of a lawful contract and necessary to protect the covenantee in the enjoyment of the legitimate fruits of the contract, or to protect him from the dangers of an unjust use of those fruits by the other party."

The rules as above laid down by Judge Taft, were applied by Mr. Justice Lurton in the case of John D. Park & Sons Co. *vs.* Hartman, 153 Fed., 24, to a price maintenance system identical in its character to the one at bar, and where it was contended that such maintenance system should be sustained upon the ground that it was necessary to the protection of the good will and business of the vendor. The effect of Mr. Justice Lurton's decision is, that where a vendor enters into contracts with all of his immediate vendees by which each of such vendees obligates himself to observe the prices established from time to time by the vendor, such a system of contracts is not sanctified by the mere fact that the vendor's good will and business will be benefited by such system, and that ruinous competition between purchasers for resales of the vendor's product, will be done away with. Mr. Justice Lurton further held that the plain purpose and effect of such a system is to eliminate all competition between the dealers in the product manufactured and sold by the vendor, and that any *ultimate* benefit which the vendor derives from such a system must be worked out through its vendees; that the vendor can claim no greater right to the maintenance of such a system than the dealers themselves would have, each to combine with the other to maintain prices to be paid by the public.

The decision of Mr. Justice Lurton last referred to was expressly approved by this court in the case of Dr. Miles Medical Company *vs.* Park & Sons Co., 220 U. S., 373-409.

It should be borne in mind that Mr. Justice Lurton further expressly stated in the opinion that all competition be-

tween the retailers was destroyed, for each could obtain his supply only by signing one of the uniform contracts required by the vendor, which restricted the resale price, thus eliminating all room for competition between the dealers. This is precisely the situation in the instant case.

The Sound Records Are Sui Generis.

While the patent law confers upon the patentee no right to restrict the resale price of a patented article, nevertheless the fact that the sound records here in controversy are patented articles has an important bearing upon the question as to whether or not there is a commercial monopoly in such articles. While it is true that the appellees are not in combination with other makers of Columbia products, obviously there are none other. The fact that there are on the market other sound records made by such concerns as the Victor Company, the Edison Company and others, is no evidence of the fact that such articles are in competition with the sound records of the Columbia Company. The very fact that the Columbia's products, including its sound records, are patented (as appears from the certificate of the Court of Appeals) demonstrates that such products embody characteristics of *uniqueness* which are not present in the products of the other companies. No patent is obtainable unless there is present a distinctive idea. Moreover, there are here present additional factors which render phonographic records *sui generis*.

Records are used for the purpose of re-creating the voice of vocal artists, such as Caruso, Muratore, Farrar, Al Jolson, etc.; or re-creating musical compositions by orchestras or bands, such as Sousa or Pryor; or instrumental soloists, such as Mischa Elman, Kubelik, or Kreisler, etc.

As is well known, each manufacturer of patented records has the *exclusive* use of the services of particular artists, orchestras, bands or instrumental soloists, in the manufacture of its records; and it is also well known that

the buying public of phonographic records are entirely influenced in the making of their purchases by their particular artistic inclinations and desires, and not by a *general* desire *for music*. Thus, if a purchaser desires to secure a record which will produce a rendition of Pagliacci by Caruso, he is able to secure the same only by purchasing it from a dealer who, in turn, has secured it from the Victor Company. Likewise, any member of the purchasing public who desires to secure a composition rendered by John Philip Sousa and his band can only procure the same by the purchase of a record from a dealer who, in turn, has purchased the same from some *one* of the patentee-manufacturers. That this illustration may be extended is obvious.

A purchaser of phonographic records does not, when purchasing records purchase indiscriminately, "a dozen records;" nor does he purchase a quantity of records by weight, color, or size; nor does he purchase a record primarily because it bears a mark of a patentee-manufacturer. His actions are controlled by his *taste* or *fancy*, which can only be satisfied by procuring, not music, or band compositions, or songs, but by procuring the *particular* re-creations of *particular* artists.

If we contrast the nature of the sound records here involved with the commodities forming the subject-matter of the various decisions cited by opposing counsel, such as "Quaker Oats" and "Mother's Oats" (merely rolled oats), as in U. S. *vs.* Quaker Oats Company, 232 Fed., 499; "Cement," as in Phillips *vs.* Iola Portland Cement Co., 125 Fed., 593; "Flour," as in Fisher Flouring Mills *vs.* Swanson, 76 Wash., 649; "Chocolate," as in Ghirardelli Co. *vs.* Hunsicker, 164 Cal., 355; "Middlings," as in Great Atlantic & Pacific Tea Company *vs.* Cream of Wheat Company, 224 Fed., 566; we find that *here* each product involved is *unique*, and not in competition with any others of a like or similar character, for there are no such others; whereas in the cases referred to the product, claimed to have been monopolized, formed only a small part of the large mass of *like* products, differing only

in a trade name indicating the origin, or, in other words, in their trade dress.

It should be noted in passing that an examination of the last-mentioned cases cited by appellees, will disclose that the commodities involved were unpatented.

The *sui generis* character of the phonographic records is far greater than that of the proprietary medicines which were involved in Park *vs.* Hartman, *supra*, and in Dr. Miles Medical Company *vs.* Park & Sons Co., *supra*.

Phonographic records are, therefore, *sui generis*, in the fullest sense of the expression. They combine the results of legal monopoly (patent), and a commercial monopoly, arising from their unique functional characteristics.

The case of Ford *vs.* Boone, 244 Fed., 335, cited by appellees, involved a patented product, but the principle announced in that case, if correct (which we deny), is not inconsistent with the distinctions which we have pointed out. That case dealt with Ford automobiles, and the court expressly pointed out that there was nothing commercially *unique* in Ford automobiles, since there were on the market other automobiles which would perform the identical functions, at substantially the same prices, and which were in direct competition.

That decision, however, is diametrically opposed to another decision involving the identical automobile, under the same system of contracts, as was involved in the Boone case, namely, the decision known as Ford *vs.* Union Motor Sales Company, 244 Fed., 156, by Judge Knappen, sitting with Judges Mack and Denison in the Sixth Circuit, which affirmed the decision of Judge Hollister sitting in the District Court, quoted from on page 25 of our original brief. Judge Mack, who sat in the last-named case, wrote a separate opinion in the case of U. S. *vs.* Quaker Oats Company, cited by appellees, 232 Fed., 499.

As to the So-called Good-will.

Assuming that the appellees have a good will in connection with their business in marketing Columbia products which they have a right to protect, the question remains:

To what extent does that right exist? Have they the right, under the guise of protecting that good will, to establish a price maintenance system the immediate effect and purpose of which is to eliminate all competition between their immediate vendees.

We concede that appellees could, in a sale of their "good will," impose restrictions as expressed by Judge Taft in the Addyston Pipe case quoted above. The principles, however, which permit the imposition of restrictive covenants do not apply, we submit, to the sale of a "trade-marked" or "identified" articles; otherwise all "trade-marked" or "identified" articles could be sold under a system similar to the one here involved. As we have shown, it was held in the Peruna case, the Dr. Miles Medical Company case and the case of Ford *vs.* Union Motor Sales Company this cannot be done.

Mr. Beck, on page 28 of his brief, recognizes that at common law good will was only the habit of the public to return to a particular store, but he argues that this good will, as it is commonly understood, should be *extended* so as to include within its definition the habit of a purchaser to buy an article whose value and character are guaranteed by a given brand. This amounts to nothing more than an argument that a trade-marked article or one bearing a "trade-dress," or an "identified" article, is one in respect of which, the seller has transferred to the buyer a part of his good will. That this point of view is unsound has been judicially determined by this court (Dr. Miles Medical Company *vs.* John D. Park & Sons Co., 220 U. S., 373).

Where a seller delivers a trade-marked article to a purchaser no price-restrictive covenants can protect that trademark or trade name, because they have no tendency im-

mediate or remote, to protect the same. The cutting of the price of the article by the purchaser cannot affect the reputation of that article for quality, nor destroy the purpose of a trade-mark, which is solely to *designate* its origin.

The sole basis which underlies all unfair competition cases, as applied to trade-marks and trade-names, is that the public, as well as the owner of the trade-mark or trade-name, requires protection against attempts to deceive by the palming off articles of commerce as the goods of the owner of the trade-mark or trade-name when they are not. It was this alone which was held in the case of McLean *vs.* Fleming, 96 U. S., 245, cited by Mr. Beck in his brief.

It is contended by appellees that part of the so-called good will of their products consists of the service which is rendered through the retailer to the purchaser. A similar argument was made in the case of Ford *vs.* Union Motor Sales Company (244 Fed., 162), but Judge Knappen, in the Court of Appeals, refused to uphold a system of price maintenance imposed upon all vendees by the vendor, where it was contended that the system made it possible for the vendor to give constant, uniform and convenient service (including garage and repair service) which could not be had unless dealers were protected against price-cutting competition. And he further held that the law could not be evaded by good motives, nor with the good intention of the vendor, even though the good motives and intention might bring some good results to the purchasing public. If the furnishing of the service, so called, to the purchasing public imposes an expense upon the vendor, the vendor can secure a return of that additional expense by making provision therefor in his initial sales price to his immediate vendee, and as well can it thereby reimburse itself for any expense and cost of publicity necessarily incurred in preserving his so-called good will.

Clearly, however, an enhanced price paid by the purchasing public to the vendees of the patentee manufacturer would not reimburse it therefor, because the patentee manufac-

turer retains no interest in the resale price, but upon parting with its title to the patented product it thereby divests itself of entire title thereto without any possibility of reverter.

It seems to us that opposing counsel's argument grows out of a misconception of the purpose of the law which prohibits combinations in restraint of trade. While restrictive covenants may be upheld if they are necessary to the protection of the business of the covenantee, providing they are no greater than necessary for that purpose, yet if it appears that such purpose is merely ancillary to another and *primary* purpose, which is to eliminate competition by the formation of a combination between his immediate vendees in restraint of trade, then such ancillary purpose furnishes no legal justification.

The Economic Considerations Urged.

A discussion of the economic benefits of the price maintenance system indulged in by Mr. Beck in his separate brief, while interesting, is beside the fourth question submitted.

Many answers on the economic value of a competitive system of sales as to price might with equal, if not greater force, be indulged in and urged upon the court, but it would serve no purpose, for the arguments both pro and con, are such as should be addressed to a legislative and not to a judicial body, such as this court. Counsel (Mr. Beck) recognizes in his brief, after indulging in a discussion of the economic virtues of price maintenance, that legally, a system of price maintenance is not, under the present state of legislation, lawful, for he refers, on page 31, to the agitation in favor of "RESTORING" to producers the control of resale prices, thereby impliedly admitting that *the right of such control does not exist under the present legislative enactments.*

In answer to this argument in favor of price maintenance, we can best quote what Mr. Justice Lurton said while sitting as Circuit Judge in the Court of Appeals in the Peruna case, 153 Fed., 24:

> "It has been suggested that we should have regard to new commercial conditions and tendencies toward a relaxation of the old common law principles which tend to prevent development on modern lines. This is an argument which is better addressed to legislative bodies than to courts. Neither is it wise for the courts to countenance the introduction of artificial distinction dependent upon the variant economic views of individual judges. Distinctions which are specious, or analogies which are but apparent, will but afford opportunities to whittle away broad economic principles lying at the bottom of our public policy—principles which have long received the sanction of statesmen, and the approving recognition of a long line of jurists. A like argument is expected whenever some new method of circumventing freedom of commerce comes under the test of the law. It was made and answered by Judge Taft in the Addyston Pipe Line case to a strength to which we can add nothing."

We have demonstrated in our original brief that the patent law confers no right upon the patentee to restrict the resale price of a patented article. In addition to the argument there urged we wish to call to the attention of the court the case of Straus *vs.* American Publishers Company, 231 U. S., 222, 235, where this court, quoting from Standard Sanitary Mfg. Co. *vs.* U. S., 226, U. S., 20, said that rights conferred by patents, while extensive and definite, did not confer universal license against positive prohibitions; that the Sherman Act was a limitation of rights, rights which might be pushed to evil consequences, and therefore restrained. And the court further held that the Copyright Act, no more than the Patent Act, intended to authorize restraints of trade tending to monopoly, in violation of the specific terms of the Sherman law, which was intended to reach all combinations in unlawful restraint of trade, and that the Court of Appeals erred in holding that agreements in restraint of trade were justified by the Copyright Act and were not within the denunciation of the Sherman Act.

Conclusion.

Assuming, but not conceding, the proper statement of the law to be as stated in opposing counsel's main brief, namely, that if there be found in any individual case (*a*) an absence of monopolistic features; (*b*) a pre-eminence of good will features; and (*c*) a limitation of the restrictive arrangement to the requirements and necessities of the good will features, there is no violation of the Sherman Act, nevertheless it must appear from the foregoing that (1) in this case there is not an absence of monopolistic features, but there is a striking presence thereof; that (2) there is not present a pre-eminence of good will features, but there is merely a presence of the sale of trade-marked or trade-dressed goods; and that (3) there is not an absence of a limitation of restrictive arrangements to the requirements and necessities of the good will features, but a presence of restrictive covenants amounting to a combination which destroys all competition in a sale of the patented trade-marked articles, and is violative of the Sherman Act.

Respectfully submitted.

HAMILTON MOSES,
JOSEPH W. MOSES,
WALTER BACHRACH,
Solicitors for Appellant.

(36266)

IN THE

Supreme Court of the United States.

OCTOBER TERM, A. D. 1896.

No. 868

BOSTON STORE OF CHICAGO,
Appellant,
vs.
AMERICAN GRAPHOPHONE COMPANY and COLUMBIA GRAPHOPHONE COMPANY,
Appellees.

Upon Certificate from the United States Circuit Court of Appeals in and for the Seventh Circuit.

MEMORANDUM BRIEF IN OPPOSITION TO APPELLANT'S REQUEST THAT THE WHOLE RECORD BE SENT UP.

ELISHA K. CAMP,
DANIEL N. KIRBY,
TAYLOR E. BROWN,
Attorneys for Appellees.

C. A. Snow & Co. Printers, 74-76 Spring St., New York.

IN THE

SUPREME COURT OF THE UNITED STATES,

OCTOBER TERM, A. D. 1916.

No. 863.

BOSTON STORE OF CHICAGO, Appellant, vs. AMERICAN GRAPHOPHONE COMPANY, and COLUMBIA GRAPHOPHONE COMPANY, Appellees.	Upon Certificate from the United States Circuit Court of Appeals in and for the Seventh Circuit.

Memorandum for Appellees in Opposition to Appellant's Application to Send Up the Entire Record.

TO THE HONORABLES THE JUSTICES OF THE SUPREME COURT OF THE UNITED STATES:

The appellees respectfully submit the following suggestions in opposition to the application of appellant that the whole record be sent to the Supreme Court.

1. Appellant's application should not be granted because the appeal pending in the Circuit Court of Appeals is merely from an interlocutory order granting an injunction, and is not from a final decree.

The reasoning set forth by this Court in American Construction Co. vs. Jacksonville Ry. Co., 148 U. S., 372, at 384, 385,—which inclined this Court to refuse to issue its writ of

Certiorari to review a decision which a Circuit Court of Appeals had rendered upon an appeal from an order which was *interlocutory* (and not final),—applies with even greater force to the present request by one of the parties, that this Court order up the entire record; because this case came up to the Court of Appeals upon a mere interlocutory decree in the District Court and not from a ~~final decree~~, and because the Court of Appeals has not yet rendered its decision, but has already of its own motion certified certain questions to this Court, under Section 239 of Judicial Code (36 Stat. L., 1157).

2. Question "1" as submitted by the Court of Appeals is:

"Does jurisdiction attach under the patent laws of the United States?" The Court of Appeals evidently did not require the advice of this Court upon the construction of the bill of complaint. Its question is rather, whether the facts *recited in its certificate* disclose such a violation of rights granted by the patent laws of the United States, as would give the Federal Court jurisdiction upon that ground.

For the purpose of answering that Question an inspection of the bill and record is not necessary.

3. Question "2" as submitted by the Court of Appeals is:

"If so, do the recited facts disclose that some right or privilege granted by the patent laws has been violated?"

It is contended for appellant, in support of its pending application, that the certificate does not show whether the delivery of the patented product to appellant was as part of a transaction of purchase and sale.

We respectfully submit that the facts *recited in the certificate* do disclose that the patented product, which appellant was selling at cut-prices, had been obtained by appellant pursuant to the price-maintenance contract set forth in the certificate; and that the additional facts recited in the certificate, are adequate to enable this Court to answer said Question number 2. Moreover that question *is predicated* only *upon the recited facts.*

4. Question " 3 ", as submitted, is :

" Can a patentee in connection with the act of delivering his patented article to another for a gross consideration then received, lawfully reserve by contract a part of his monopoly right to sell ? "

In support of its application in respect of said Question 3, appellant contends that inspection of the entire record is necessary,—necessary for the purpose of determining whether such delivery was in connection with *a sale* or a mere *license* to use or sell.

We respectfully submit that the Certificate does contain all the ultimate facts requisite for a consideration and decision of said Question 3; and that said facts are sufficient for this Court to determine (if necessary) whether said delivery constituted a " sale " or a mere " license."

Thus : it shows that appellant entered into a retail dealer's contract with the Columbia Company ; it sets out said contract in full ; it recites that " subsequent thereto and prior to the filing of the bill of complaint, the Columbia Company, acting as the agent of the American Company, in pursuance of said contract, delivered in Chicago to the Boston Store a quantity of such phonographic records manufactured by the American Company under said letters patent ; and the Boston Store paid the Columbia Company the full amount which had theretofore been fixed by the American Company ;" it also shows that said contract was one of many similar contracts constituting a part of the patentee's system of price maintenance, by which, in consideration of the prices at which prescribed quantities of the patented products are agreed to be delivered to the dealer, the latter in turn obligates himself in selling such products to adhere strictly to and be bound by and not to depart from the official list prices promulgated from time to time by the Columbia Company ; and that such contracts when entered into, cover all such products which may thereafter from time

to time be acquired by such dealers from the Columbia Company without any new express price restriction contract being entered into at the time when each order for goods subsequent to the entering into of said contract is placed or filed by said dealers.

The facts thus recited completely and fairly disclose the contract or restriction, and the circumstances under which appellant acquired the patented articles, as to which the patentee, in connection with its acts of delivering the patented articles to appellant, attempted to reserve a part of its monopoly right. And whether the above-enumerated facts and circumstances constitute a "sale" or merely a "license" is a question of law which this Court can determine (if necessary) upon the recitals of the Certificate.

5. Question "4" as submitted is:

"If jurisdiction attaches solely by reason of diversity of citizenship, do the recited facts constitute a cause of action?"

Here again it is contended for appellant that the bill of complaint should be before this Court in order to answer said question.

We respectfully submit that an inspection of the bill is not necessary, because the question upon which the Court of Appeals has requested the advice of this Court is not whether the bill of complaint states a cause of action, nor whether the bill of complaint discloses jurisdiction based solely upon the diverse citizenship, but *if* Question 1 should be answered in the negative (*i. e.*, that the recited facts do not disclose a violation of some right under the patent laws of the United States), then whether, upon the recited facts, jurisdiction would attach, if at all, upon the ground of diverse citizenship —in other words do the facts *recited in the certificate of the Circuit Court of Appeals* constitute a cause of action.

Moreover, the pending application by appellant expressly seeks to draw into the case now before this Court, a consideration of the Sherman anti-trust act, upon which the Circuit

Court of Appeals did not request the advice of this Court. It necessarily seeks also to draw into the case here, all of the other questions presented in the Court of Appeals, but not covered by that Court's certificate.

The application, therefore, seeks to have this Court take from the Circuit Court of Appeals jurisdiction of all the questions presented by the record in the Court of Appeals *before* that Court has rendered any decision, in an appeal from *a mere interlocutory order*, and notwithstanding the fact that the certificate of the Circuit Court of Appeals adequately recites all of the ultimate facts reasonably necessary for the consideration and determination of the questions of law which it submits for the advice of this Court.

We respectfully submit that the application of appellant should not be granted.

ELISHA K. CAMP,
DANIEL N. KIRBY,
TAYLOR E. BROWN,
Attorneys for Appellees.

FILED
SEP 11 1917
JAMES D. MAHER
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1917.

No. 363

BOSTON STORE OF CHICAGO,
Appellant.

vs.

AMERICAN GRAPHOPHONE COMPANY and COLUMBIA GRAPHOPHONE COMPANY,
Appellees.

MOTION BY BOSTON STORE OF CHICAGO, APPELLANT, TO ADVANCE THE HEARING OF THE CAUSE ON THE CALENDAR AND SUGGESTIONS IN SUPPORT THEREOF.

HAMILTON MOSES,
JOSEPH W. MOSES,
WALTER BACHRACH,
Solicitors for Boston Store of Chicago, Appellant.

HAMILTON MOSES,
Of Counsel.

Geo. Hornstein Co., Printer, Chicago.

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1917.

No. 863.

BOSTON STORE OF CHICAGO, Appellant.

vs.

AMERICAN GRAPHOPHONE COMPANY and COLUMBIA GRAPHOPHONE COMPANY, Appellees.

MOTION.

The Boston Store of Chicago, a corporation organized under the laws of the State of Illinois, prays that the hearing of the questions submitted by the Circuit Court of Appeals, and the argument before the Court with reference thereto, be advanced to an early date on the calendar of this Court.

HAMILTON MOSES,
JOSEPH W. MOSES,
WALTER BACHRACH,
Solicitors for Boston Store of Chicago, Appellant.

HAMILTON MOSES,
Of Counsel.

IN THE

Supreme Court of the United States

October Term, A. D. 1917.

No. 863.

Boston Store of Chicago,
Appellant,
vs.
American Graphophone Company and Columbia Graphophone Company,
Appellees.

NOTICE.

To the Clerk of the Supreme Court of the United States:

Mr. Elisha K. Camp,
Mr. D. N. Kirby,
Mr. Taylor E. Brown,
Attorneys for Appellees:

PLEASE TAKE NOTICE that on Monday, the 8th day of October, 1917, at the opening of Court, or as soon thereafter as counsel can be heard, a motion, of which the foregoing is a copy, will be submitted to

the Supreme Court of the United States, for the decision of said court thereon.

Annexed hereto is a copy of the affidavit to be submitted with said motion, in support thereof.

Dated, Chicago, Illinois, September 17, 1917.

HAMILTON MOSES,
JOSEPH W. MOSES,
WALTER BACHRACH,
Solicitors for Boston Store of Chicago, Appellant.

HAMILTON MOSES,
Of Counsel.

IN THE

Supreme Court of the United States

October Term, A. D. 1917.

No. 863.

Boston Store of Chicago,
Appellant,
vs.
American Graphophone Company and Columbia Graphophone Company,
Appellees.

Upon certificate from the United States Circuit Court of Appeals, in and for the Seventh Circuit.

AFFIDAVIT IN SUPPORT OF MOTION.

STATE OF ILLINOIS, }
COUNTY OF COOK. } ss.

HAMILTON MOSES, being first duly sworn, upon oath deposes and says: that he has been one of the solicitors for and counsel for the appellant, the Boston Store of Chicago, in the above-entitled cause, since the commencement of said suit.

That upon the eighth day of June, 1915, the appellees, the American Graphophone Company and the Columbia Graphophone Company, instituted a suit in equity, in the District Court of Illinois, in the Northern District thereof, Eastern Division,

against the Boston Store of Chicago, the appellant, praying that "the Boston Store of Chicago, its associates, attorneys, successors, assigns, servants, clerks, agents and workmen, and each of them, may be perpetually enjoined by a writ of injunction from violating the agreement and contract" (copy of which is attached in the certificate of facts filed herein, certified to by the Judges of the Court of Appeals) "or any part thereof, and particularly from directly or indirectly selling or offering for sale or otherwise disposing of any of the patented Columbia product" (referred to in said bill of complaint) "at less than the current list prices therefor." Among which patented products were so-called sound records, used in playing upon phonographs.

That a temporary restraining order was issued, without notice, upon the filing of the bill, and the cause set for hearing of the motion for an injunction *pendente lite*, upon the bill of complaint and affidavits filed in support thereof.

That on June 18, 1915, the Boston Store of Chicago moved the Court to set aside the temporary restraining order, by reason of the failure of the complainant to comply with the Equity Rule 73 of said Court, and also moved the Court to dismiss the bill of complaint for want of equity, pursuant to Rule 29.

That the several motions came on to be heard before His Honor, George A. Carpenter, and said Court thereupon entered an order on June 21, 1915, after having heard arguments of counsel, setting aside and vacating the restraining order against the defendant, and granting to the complainants,

the appellees herein, leave to amend their bill of complaint in sixteen days, and upon failure so to do said bill to be dismissed.

That thereafter the time was extended, by order of Court, within which the amended bill of complaint should be filed, until July 24, 1915. That upon July 22, 1915, the appellees filed their amended bill of complaint.

That a motion was made for an injunction *pendente lite* by appellees and a counter motion was made by the Boston Store of Chicago to dismiss the amended bill of complaint, for want of equity, pursuant to Equity Rule 29.

That on the 29th day of July, 1915, the matter came on to be heard before His Honor, Ferdinand A. Geiger, a Judge of the District Court, in the absence of His Honor, George A. Carpenter. The motions and counter motions were heard by the court, which were held under advisement until the third day of September, 1915, at which time the Court rendered his memorandum of opinion, which is reported in 225 Federal, 785.

On the 9th day of September, 1915, the Court entered an order denying the motion of the appellant, the Boston Store of Chicago, to dismiss the appellees' amended bill of complaint, and required the appellant, the Boston Store of Chicago, to, on or before September 18, 1915, indicate its desire to oppose the application for an injunction *pendente lite*, and file with the Clerk of said Court its opposition upon grounds not involved in the motion to dismiss.

The matter came on to be heard on September 27, 1915, on the amended bill of complaint, affidavits

in support thereof, the sworn answer of the Boston Store to the complainants' amended bill of complaint used as an affidavit and the supporting affidavits.

Upon that date the Court, Honorable Ferdinand A. Geiger, District Judge, granted the motion of the appellees for injunction *pendente lite*, directed against the appellant, "the Boston Store of Chicago, its officers, servants, attorneys, clerks, agents, successors and assigns, restraining and enjoining them and each of them temporarily and until the further order of the Court, from directly or indirectly, selling or offering for sale, giving away, or in any other manner disposing of any Columbia records (which were acquired directly from the plaintiff, Columbia Graphophone Company), at less than the official list prices established therefor, by or through the plaintiff, said Columbia Graphophone Company, said list prices being those which appeared on said records when so acquired."

From this order the Boston Store of Chicago, the appellant, filed its petition for appeal and assignment of errors and appeal bond to the United States Circuit Court of Appeals, and filed its transcript of record in that Court on October 26, 1915, in which said Court this action has been ever since pending undisposed of.

Briefs having been filed, the matter was argued before the Court of Appeals in May, 1916.

The Court of Appeals filed its certificate herein on January 12, 1917.

The questions submitted by the Court of Appeals are of great importance, not only to the parties

to this proceeding pending in the Court of Appeals, but to all manufacturers and dealers in patented articles in the various States and Territories of the United States.

The decision of the instant case in the Court of Appeals necessarily awaits the action of this Honorable Court in advising the Court of Appeals of the answers to the questions submitted. In the interim the appellant, the Boston Store of Chicago, stands under the order of injunction *pendente lite*, restrained from marketing at "less than the official list prices," prescribed by the Columbia Graphophone Company, the phonograph records.

The certificate of the Court of Appeals shows that there are five thousand so-called contracts similar to the one entered into between the Columbia Graphophone Company and the Boston Store of Chicago. (Tr., 4; Rec., 5.) A copy of which is set forth in the certificate. (Tr., 12; Rec., 23.) By the existence and enforcement of these contracts the dealers, including the Boston Store of Chicago, the appellant, in such articles are prevented from competing with each other in the sale thereof, and the public is thereby prevented from the enjoyment of the benefit derived from competition in sales prices while the said cause in the Court of Appeals remains undisposed of.

This situation will continue, we respectfully submit, unless the cause is advanced, for it will be a period of approximately two years or more before this cause will, in the ordinary and regular course, be reached for argument and decision by this Court.

After the decision of the Honorable Judge, Ferdi-

nand A. Geiger, was rendered against the appellant, the Boston Store of Chicago, the fact that the Boston Store of Chicago was placed under restraint by the Court was, by various means, brought to the knowledge of the dealers in phonograph records, with the purpose and intent of inducing them not to sell at less than the so-called official list prices prescribed by the Columbia Graphophone Company.

From an inspection of the certificate and the questions appearing on Tr., 4, Rec., 5, it will appear that the important questions submitted are

First, whether the resale at a price less than the official list price constitutes an infringement of the patent;

Second, whether a patentee can in connection with his act of selling his patented article to another for a purchase price then received, lawfully reserve *by contract* a restriction as to the price at which the article may be resold: and,

Third, whether the making of five thousand similar restrictive resale contracts with dealers of phonograph records violates the prohibitions of the Sherman Act.

The five thousand dealers in phonograph records are affected by the price restriction and many other dealers in talking machines, phonograph records, patented fountain pens, automobiles, shaving apparatus and other articles, market their products in a somewhat similar manner, and such contracts are being observed because of the belief by the various dealers, parties to such contracts, being thousands in number, that such contracts are lawful. The observance of such contracts prevents the trad-

ing and consuming public from acquiring at a competitive price many articles which are necessaries of life and necessarily involve an expenditure by the purchasing public and consumers of many thousands, if not millions of dollars annually in excess of the price at which such articles could be secured, were it not for such contracts, the execution and enforcement of which, we respectfully contend, not only violates the law, but lays liable to criminal prosecution under the Sherman Act, those persons who, by the observance of such contracts are conspiring, contrary to such law.

The system of price restriction adopted by the appellees has been and is being adopted and used and is being enforced in part by a number of owners of patents desiring to control the resale of their patented products to the detriment, prejudice and disadvantage of the public.

The petitioner, The Boston Store of Chicago, respectfully submits that the importance of the questions submitted, affecting as they do many persons and interests, should be promptly settled, and with certainty, and therefore that the said cause be advanced and set for hearing at an early date.

Subscribed and sworn to before
me this 7th day of September
....., A. D. 1917.

Notary Public in and for Cook County, Illinois.